

**TESTIMONY OF A. R. WATTS****FOR****THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA****DOCKET NO. 2003-1-E****IN RE: CAROLINA POWER & LIGHT COMPANY- ANNUAL REVIEW OF  
BASE RATES FOR FUEL COSTS**

**Q. WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND  
OCCUPATION?**

**A.** A. R. Watts, 101 Executive Center Drive, Columbia, South Carolina. I am  
employed by the Public Service Commission of South Carolina, Utilities  
Department, as Chief of Electric.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND  
EXPERIENCE.**

**A.** I received a Bachelor of Science Degree in Electrical Engineering from the  
University of South Carolina in Columbia in 1976. I was employed at that time by  
this Commission as a Utilities Engineer in the Electric Department and was  
promoted to Chief of the Electric Department in August 1981. I have been in my  
current position since October 1999. I have attended professional seminars relating  
to Electric Utility Rate Design, and have testified before this Commission in  
conjunction with fuel clause, complaint, territorial assignment, Siting Act, and  
general rate proceedings.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS  
PROCEEDING?**

1 A. The purpose of my testimony is to summarize Staff's findings as set forth in the  
2 Utilities Department's portion of the Staff Report.

3 **Q. MR. WATTS, WHAT SPECIFIC AREAS WERE ENCOMPASSED BY**  
4 **STAFF'S EXAMINATION?**

5 A. The Utilities Department's examination of the Company's fuel operations  
6 consisted of a review of the Company's monthly operating reports, review of the  
7 currently approved Adjustment for Fuel Costs Rider, and review of the Company's  
8 short-term projections of kilowatt-hour sales and fuel requirements.

9 **Q. DID STAFF EXAMINE THE COMPANY'S PLANT OPERATIONS FOR**  
10 **THE PERIOD?**

11 A. Yes, we reviewed the operations of the Company's generating facilities, including  
12 special attention to the nuclear plant operations, to determine if the Company made  
13 every reasonable effort to minimize fuel costs.

14 **Q. HAVE YOU DETERMINED THAT ANY SITUATIONS, IN THE REVIEW**  
15 **PERIOD, WARRANT DETERMINATION THAT THE COMPANY ACTED**  
16 **UNREASONABLY IN OPERATING ITS FACILITIES WHICH COULD**  
17 **RESULT IN ITS CUSTOMERS BEING SUBJECT TO PAYING HIGHER**  
18 **FUEL COSTS?**

19 A. No. The Company's generating facilities, particularly the four nuclear units,  
20 operated very well during the period under review. These nuclear units averaged  
21 96.7% actual capacity factor for the period. This was achieved even though the  
22 system experienced refueling outages at three of the four nuclear units during this  
23 review period as well as steam generator replacement at the Harris plant. The major  
24 fossil units averaged over 95% availability for the majority of the period under  
25 review as indicated on Utilities Department Exhibit No. 1.

26 **Q. PLEASE EXPLAIN YOUR CALCULATION OF THE BASE RATE FUEL**  
27 **COMPONENT FOR THE PERIOD ENDING MARCH 2004.**

28 A. Staff utilized the projected sales and fuel costs for the twelve months ending March  
29 2004 and included the under-recovered balance of \$7,393,266 as of December 2002  
30 from Audit Exhibit G. This calculation produced a factor of 1.496 cents per kilowatt-

1 hour that would be necessary, for the Company to recover virtually all its anticipated  
2 and booked fuel expenses. The Company is proposing no change in the base fuel  
3 component of 1.471 cents per kilowatt-hour which will result in an estimated under  
4 collection in the cumulative recovery account in March 2004 of \$1,785,344. The  
5 results of these calculations for various fuel base components are shown on Utilities  
6 Department Exhibit No. 10.

7 **Q. WOULD YOU BRIEFLY EXPLAIN THE REMAINING UTILITIES**  
8 **DEPARTMENT'S EXHIBITS?**

9 **A.** Exhibit No. 2 shows the Company's Unit Outages for the months of January 2002  
10 through December 2002, listing the plants by unit, duration of the outage, reason for  
11 the outage and corrective action taken. Exhibit No. 3 lists the Company's  
12 percentage Generation Mix by fossil, nuclear, and hydro for calendar year 2002.  
13 Exhibit No. 4 reflects the Company's major plants by name, type of fuel used,  
14 average fuel cost in cents per KWH to operate, and total megawatt-hours generated  
15 for the twelve months ending December 2002. Exhibit No. 5 shows a comparison  
16 of the Company's original retail megawatt-hour estimated sales to the actual sales  
17 for the period under review. Exhibit No. 6 is a comparison of the original fuel factor  
18 projections to the factors actually experienced for the twelve months ending  
19 December 2002. Exhibit No. 7 is a graphical representation of the data in Exhibit  
20 No. 6. Exhibit No. 8 is the Company's currently approved Retail Adjustment for  
21 Fuel Costs Rider. Exhibit No. 9 is a history of the cumulative recovery account.

22 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

23 **A.** Yes, it does.

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FILED  
DW 3/5/03

**Carolina Power & Light Company**  
***Annual Review of Base Rates for Fuel Costs***

S. C. PUBLIC SERVICE COMMISSION  
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UTILITIES DEPARTMENT

***Docket No. 2003-1-E***

***Testimony of***  
***A. R. Watts***  
***Utilities Department***

***Public Service Commission of South Carolina***

RETURN DATE: *OK DW*  
SERVICE: *OK DW*